

post-consumer recycled content • Fighting the spread of dengue fever
Introducing children to the magic of books • Creating an atmosphere of
inclusion, learning and growth • Helping minority- and women-owned
companies grow their business • Recycling 17.8 million ink and toner
cartridges • **Staples Soul was here** • Introducing children to the
magic of books • Creating an atmosphere of inclusion, learning and
growth • Creating a culture of integrity • Helping customers protect their
identities • Helping minority- and women-owned companies grow the
business • Recycling 17.8 million ink and toner cartridges • **Staples Soul was**
here • **Staples Soul was here** • Creating a culture of integrity • Helping
customers protect their identities • **Offering more than 2,900 products**
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owned companies grow their business • Recycling 17.8 million ink and
toner cartridges • **Staples Soul.** It's what moves us. • Creating a culture of
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Staples Soul was here.

ethics

Business ethics came alive for several members of our Products Solutions Sales team when a customer — the owner of a bed and breakfast — offered Sean a gift certificate to stay at her inn as a token of appreciation for Sean’s great customer service. Sean was touched by the offer, but he was not sure whether it would be appropriate to accept a gift certificate for performing his job. Having recently completed ethics training, Sean remembered that accepting the gift could be risky and that the best course of action was to discuss the situation with his managers, Staci and Chris. After checking with Staples’ Vice President of Business Ethics, Staci and Chris learned that Staples’ Code of Ethics did not specifically prevent Sean from keeping the gift certificate. Nevertheless, the team ultimately decided to return the gift because they did not want to send the wrong message to the customer or other members of the team. They were inspired by the President of their division, who once told a story about turning down a free golfing trip to avoid the appearance of a conflict of interest.

Ensuring our associates make quick, effective, ethical decisions. **Staples Soul was here.**

And here. Giving associates a confidential and safe forum to ask questions and report potential ethics violations.

And here. Protecting customers' personal information, such as credit card and contact information.

And here. Manufacturing high-quality, affordable shredders to help our customers protect their own identities.

The goal of our ethics and compliance program is to ensure that associates act with integrity in everything they do. Promoting a culture of integrity contributes to our financial success by ensuring that we protect valuable assets such as our brand, our customer and business information, and the trust of our customers and investors.

We work to drive associate integrity through appropriate governance and control structures; various policies, procedures, and training and awareness initiatives; information and privacy protection; and ethical sourcing. Staples' VP of Business Ethics is responsible for driving all ethics initiatives globally at Staples, in cooperation with various other departments.

While many initiatives have been introduced or are currently under way, the Business Ethics department was created only a few years ago, in 2004, so several ethics and compliance programs are still in development. This includes many of our international ethics training and awareness vehicles as well as our global bribery and corruption policy and program. In addition, our information protection and privacy program and our ethics case-management tool are both new programs that are still maturing and evolving.

As we continue to expand our ethics program, we intend to focus on the following efforts:

- Continuing to drive a culture of integrity and commitment to compliance with the law by educating managers about our Code of Ethics and holding them accountable for setting the right ethical tone with their teams
- Improving our ability to detect, analyze and learn from potential ethics and compliance issues by reinforcing our Speak Up program and improving our case-management and tracking capabilities
- Developing and implementing an ethics survey to gain, monitor and measure insights from internal perceptions about our culture of integrity
- Conducting targeted workshops with select international business units to anticipate and proactively address potentially risky business practices that could otherwise undermine our culture of integrity
- Building awareness of our Code of Ethics in each of our international locations, through targeted communication and training efforts, including launching online Code of Ethics training in Canada and other international locations, where appropriate
- Reinforcing our zero-tolerance policy against bribery by developing and implementing a global anticorruption policy and programs and by working with a nonprofit organization focused on combating bribery globally

“We count on each and every one of you to do the right thing every day. That means having the courage to speak up when you’re not sure how to handle a situation, or when you see something that just doesn’t feel right. For our managers, it means creating an environment where associates feel comfortable raising small issues before they become big ones. Usually, sound judgment and common sense are all you need to make the right choices. When you’re faced with unfamiliar or complex situations, however, we’re here to help — and can offer a number of resources to help you identify the right path. By working together, we’ll continue to stand out as ethical leaders in our industry.”

– Ron Sargent, Chairman and CEO

• corporate governance

Our commitment to corporate governance has created a strong framework for responsiveness and accountability.

To learn more about our current corporate governance programs, review our 2006 Annual Report and proxy statement or visit <http://investor.staples.com> under the Corporate Governance section. Some highlights of our governance structure include:

- **Committee independence.** All members of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent directors
- **Annual election of directors.** Our directors are elected annually
- **Majority voting.** At this year's annual meeting, we are asking our stockholders to adopt a majority voting standard for uncontested director elections. We currently have a director resignation policy that requires directors who receive a majority of votes "withheld" from their election to tender their resignation from our Board
- **No shareholder rights plan.** We do not currently have a shareholder rights plan in effect and are not considering the adoption of one
- **Lead Director and required meetings of independent directors.** Our independent directors, led by our Lead Director, held separate meetings following each regularly scheduled meeting of our Board during 2006 and we expect they will continue to do so in subsequent years
- **Stock ownership guidelines.** Our stock ownership guidelines require nonmanagement members of our Board to own a minimum level of equity in Staples worth either at least four times the annual Board cash retainer (currently \$50,000) or \$200,000. These guidelines also require minimum equity ownership levels for specific executive officers, including our Chairman and Chief Executive Officer
- **Board independence.** In accordance with our Corporate Governance Guidelines, our Board determined that all of our directors are independent except Ron Sargent, who is employed as our Chairman and Chief Executive Officer, and Basil Anderson, who was employed as our Vice Chairman from September 2001 until his retirement in March 2006

- a culture of integrity

We've built a culture of integrity, with our Code of Ethics as its foundation. The Code, which we introduced in 1995, sets forth our core expectations for our associates worldwide. In 2006, we translated the Code into 12 languages and are distributing it to associates in nearly 20 countries. To learn more, read Staples' Code of Ethics or visit our Web site at www.staples.com/ethics.

Our Code of Ethics is supplemented by many other policies and controls at Staples, including our corporate governance structure, contract authorization policy, travel and expense policy, and information protection and privacy policy, among others. To help the Code of Ethics and related policies come to life for our associates, we conduct ethics training and use a variety of communication channels and methods to raise awareness among our associates. These initiatives are critical to helping drive a culture of integrity.

ethics training and awareness

We tailor our ethics communications and training vehicles to our audiences. We ask all salaried associates and all hourly associates in office-related roles in the U.S. to complete online ethics training. Approximately 11,000 of our associates in the U.S. fall into this category. The remainder of nonsalaried retail store, distribution and other hourly associates who are not in office-related roles learn about their ethical responsibilities through our associate handbook, the new hire training process, team meetings with their managers, and internal newsletters.

Staples first launched our online ethics training in 2005. In 2006, we updated the content of the training to better highlight key issues, respond to associate feedback, and to ensure that ethics training is embedded into required training for new associates. We're proud to say that from fiscal year 2006 into early 2007, 100 percent of active salaried associates in the U.S. completed the training.

In an effort to deliver the most job-relevant training possible, we customized the material in the training program to address the needs of various business units by including realistic multiple-choice scenarios taken from actual ethical dilemmas and challenges that our employees face. We split the training programs into a retail program,

with material specific to retail store managers, and a corporate version, which addresses needs across a variety of departments and functions, from our marketing and finance teams to our business-to-business sales force. During the training, associates face a number of scenarios that may come up in their daily work.

Scenarios that associates face during Code of Ethics training

Retail	Corporate
Can you put a computer in the back room for another associate until that item goes on sale?	What steps do you need to take before sharing customer information externally to ensure it remains protected?
In what ways can you speak up confidentially if you see another associate or a manager behave unethically?	Can you accept an offer from a vendor to arrange an internship interview for your child?
Can you use coupons outside of their intended use as long as you're helping drive store sales?	What's the best way to proceed if you learn that a general manager is handing out coupons inappropriately?

As part of our ethics awareness communication, we include ethics messaging in numerous internal communication vehicles, including our North American Delivery newsletter and our flagship publication, Staples News. Various executives, including Chairman and CEO Ron Sargent, President of North American Delivery Joe Doody, and President of U.S. Stores Demos Parneros, help set the tone at the top by reinforcing the importance of ethical behavior in a variety of presentations at annual conferences and weekly meetings. And in 2006, our VP of Business Ethics, Nan Stout, presented to numerous groups across the company.

We also created an Ethics Resource Center on our company intranet, geared to help associates across our business learn more about our ethics programs and find out what to do if they run into a potential violation.

Our associates can access a wide range of resources from our online Ethics Resource Center, available on the company intranet, Staples@work, including the Code of Ethics, contract authorization policy, information protection and privacy policy, a link to the online ethics training, contact information for the EthicsLink helpline, and other pertinent policies and resources.



Speak Up

Having policies in place to prevent ethics violations is only one part of the equation. At Staples, we feel it is imperative to create a culture of open and honest dialog. To encourage straightforward communication, we launched the Speak Up program in 2006. Speak Up enlists associates at all levels to voice, safely and confidentially, any ethical questions or concerns. This program helps promote an ethical culture by giving associates multiple channels to voice their concerns in a way that is most comfortable for them: working with their manager or another manager, working through Business Ethics or HR, or contacting our global Speak Up phone line and Web site. This resource, operated by an independent third party, is for associates who feel more comfortable discussing issues and reporting possible violations confidentially and anonymously, without going through their manager or department. The Web site is www.staplesethicslink.com.

did you know?

- 94 percent of Staples associates taking the ethics training agreed that the training helped them understand how to apply the Code of Ethics at work
- Staples has ethics champions in nearly every country in which we operate
- In 2006 we began a global expansion of our Code of Ethics awareness and training with the goal of bringing the Code to life for associates in our European, South American and Asian businesses, so they can readily understand how the Code applies to their everyday jobs
- Based on an internal survey in which associates across the U.S. anonymously responded:
 - 89 percent of Staples associates believe that ethics is a part of Staples' everyday culture
 - 97 percent of associates understand the ethical and legal standards that apply to their job
- More than 3,000 associates participated in our second annual Records Retention and Cleanup Day

what to save. what to shred.

As a large company, we amass a lot of records. To ensure our associates save appropriate documentation and destroy other records safely and legally, we follow a corporate records and data retention policy. In 2006, we held a Records Retention and Cleanup Day at many of our corporate office sites. During this event, we:

- Encouraged associates to clean up electronic and hard copy records, within established guidelines
- Conducted a survey on Information Policy and Protection issues and held a raffle in each location, and gave away four Staples® MailMate™ shredders

This event resulted in the recycling of 15.5 tons of paper (more than 620 cases of paper) and deleted 94 gigabytes of data.



Since launching Speak Up, we've seen an increase in the number of questions we receive from associates. Many of these questions relate to our policies regarding gifts and entertainment; here's a sampling.

- Is it okay to accept basketball tickets offered by a vendor?
- I've been invited to an event for executives from a handful of companies. A vendor would pick up the costs, including all meals and lodging, for the day-and-a-half event, which is designed to give these executives a chance to learn from one another. I am interested in attending to build relationships with these executives and possibly open doors with potential new customers.
- I was offered four tickets to a corporate-sponsored golf tournament. The offer also included clubhouse hospitality of luncheon and a nominal gift bag. Total value would be approximately \$200–\$250. In previous years when I accepted these tickets, I was working in an environment that interfaced with the corporate sponsor and accepted with the knowledge of my immediate supervisor. Now that my role has changed, can I accept the tickets?

So what happens if we receive a report of a potential ethics violation? While the initial steps vary somewhat depending on who receives the initial report, the issue is always brought to the attention of the VP of Business Ethics, who helps identify the right investigation team for the issue to ensure that it will be investigated and resolved as promptly and thoroughly as possible. Each situation is different, but we follow up on every case. Sometimes, a case will result in disciplinary action. Other times, we may discover not a wrongdoing, but a procedure that could be improved.



helping Staples associates tackle ethical dilemmas

When you're faced with a difficult choice as a Staples associate, ask yourself these important questions:

- Is it legal?
- Is it consistent with our TeamCARE values?
- Does it comply with our policies?
- Is it best for the company as a whole?
- How would it look in the newspaper?
- What would your family think?

If your answer to any of these questions makes you think twice, call the [Ethics Line at 1-888-490-4747](tel:1-888-490-4747).

• information protection and customer privacy

Staples is taking action to ensure we protect our customers' information, including credit card numbers, contact information and more. We understand that much of the information we store is particularly sensitive and could harm our customers, shareholders and/or associates if it were to fall into the wrong hands. A key part of the information protection and privacy program is making sure our associates take the right steps to protect customer, associate and business information.

Our new internally facing information protection and privacy program, developed in 2006, helps our associates understand their responsibilities related to accessing, using and sharing information. To further our goal of ensuring that associates safeguard private information, we include an Information Protection policy signoff and scenarios focused on customer privacy as part of our online Code of Ethics training program. To prevent as many missteps as possible, we took a detailed look at what we store, and carefully identified the steps we expect associates to follow. We also established an Information Protection and Privacy Steering Committee to help guide program development and integration into our business operations.

Finally, as we recognize that no systems are 100 percent secure, we have developed a comprehensive crisis response plan to help ensure that if confidential data does fall into the wrong hands, we are ready to handle the situation quickly and responsibly.

Staples Information Protection and Privacy Steering Committee

Shira Goodman, Executive Vice President of Marketing

Kristin Campbell, Senior Vice President General Counsel

Nan Stout, Vice President of Business Ethics

Brian Light, Executive Vice President Chief Information Officer

Christine Komola, Senior Vice President Corporate Controller

handling our information responsibly

We count on each associate to protect information relating to our customers, other associates and business. Here's a sample of tips we regularly share with associates to make safekeeping private information as easy as possible.

1. Make sure you share sensitive information only with individuals who need it to do their jobs
2. Lock up your computer when you're not at your desk (click Control+Alt+Delete, then lock your PC)
3. Select a unique password that only you know
4. Get in the habit of shredding sensitive documents or putting them in your building's locked recycling bins
5. Stay nearby when printing, copying or faxing sensitive documents

communicating the importance of information protection

Take a look at the questions we asked associates to answer in order to qualify to win one of four new MailMate™ shredders.

1. When handling sensitive information, it's safe to assume that it can be shared with anyone at Staples unless you're told otherwise.

True or False

2. You should have access only to the customer, associate and business information that you need to perform your job.

True or False

3. If you suspect an actual or potential privacy or security incident, you must report it.

True or False

4. It's safe to send credit card information or social security numbers to people outside the company by regular email.

True or False

5. It's OK to share sensitive information with third parties as long as they say they'll keep it private.

True or False

Five Easy Ways You Can Protect Our Information:

1. Make sure you only share sensitive information with individuals who need it to do their jobs.
2. Lock up your computer when you're not at your desk (click control-alt-delete, then lock your PC).
3. Select a unique password that only you know.
4. Get in the habit of shredding sensitive documents or putting them in your building's locked recycling bins.
5. Stay nearby when printing, copying or faxing sensitive documents.

Speak up if you learn about an actual or potential privacy or security incident!

- IS Help Desk (Staples: 800-253-8925; Quik: 847-879-4357)
- Chris Dunning — Director Enterprise Information Security (508-253-2290)
- Nan Stout — VP, Business Ethics/Privacy Officer (508-253-7960)

Staples Shield
Our commitment to your privacy

Get all five questions right and win a chance at a MailMate™ shredder!

- 1) When handling sensitive information, it's safe to assume that it can be shared with anyone at Staples, unless you're told otherwise. True ☐ or False ☐
- 2) You should only have access to the customer, associate and business information that you need to perform your job. True ☐ or False ☐
- 3) If you suspect an actual or potential privacy or security incident, you must report it. True ☐ or False ☐
- 4) It's safe to send credit card information or social security numbers to people outside the company by regular email. True ☐ or False ☐
- 5) It's OK to share sensitive information with third parties as long as they say they'll keep it private. True ☐ or False ☐

 Name: _____
Phone: _____

helping our customers protect their identity

Small-business owners account for many of our customers. We recognize that they are often playing many roles and working long hours. Given the stress of entrepreneurship, we strive to make life easier for these customers in particular. In 2006, we invested significant time and resources to help our customers safeguard their own information from identity theft.

“Identity theft can happen to anyone. There are many simple, cost-effective safeguards consumers can use to help prevent them from becoming a victim, such as investing in a personal shredder and protecting personal computers with antitheft locks and virus protection software. Together with Staples, my goal is to make more people aware of this issue and to develop new solutions that address this issue head on.”

— Frank W. Abagnale, author of *The One and Only You*.

An easy guide to protecting your identity

To help our customers avoid becoming victims of identity theft, we teamed with the nationally recognized security and fraud expert Frank W. Abagnale (if you saw the blockbuster movie *Catch Me If You Can*, you know Abagnale's life story). For more than 30 years Abagnale has worked with, advised and consulted with hundreds of financial institutes, corporations and government agencies around the world. As part of our multiyear alliance with Abagnale, we sponsored the Staples Shred Across America Tour, which brought easy self-protection solutions via mobile shredder events to 17 cities across the country.

This mobile shred tour included information and a demo area aimed at educating consumers about the importance of security solutions needed for identity protection — everything from shredders to virus protection software. Customers filled a total of 130 recycling bins, equaling 25,850 lb. of paper, with the shredded personal documents.

You can find our [U.S. privacy policy](#) on [staples.com®](#). Privacy policies for our operations in other countries are available on the Internet sites of our operations in those countries.

• ethical sourcing

Over the past several years, Staples® own-brand products have become a major focus of growth and differentiation for Staples. In fact, sales of Staples® brand products worldwide have grown from less than 11 percent of total sales in 2002 to 20 percent of total sales at the end of 2006. The manufacturing of Staples® brand products presents us with an opportunity to examine and improve our ethical-sourcing efforts. For this reason, Staples evaluates our suppliers on more than just price, quality, capacity and other financial and operational objectives. We seek to work with suppliers that operate in a manner that protects workers' human rights, workers' health and safety, and the environment.

First and foremost, suppliers providing us with Staples® brand products are required to comply with our Supplier Code of Conduct, available at www.staples.com/ethics. To ensure compliance with our Supplier Code, we engage independent third-party auditing firms to conduct factory audits.

We've conducted social accountability (SA) audits of factories supplying Staples® brand products since 2000. Our supplier responsibility program has evolved considerably since that time.

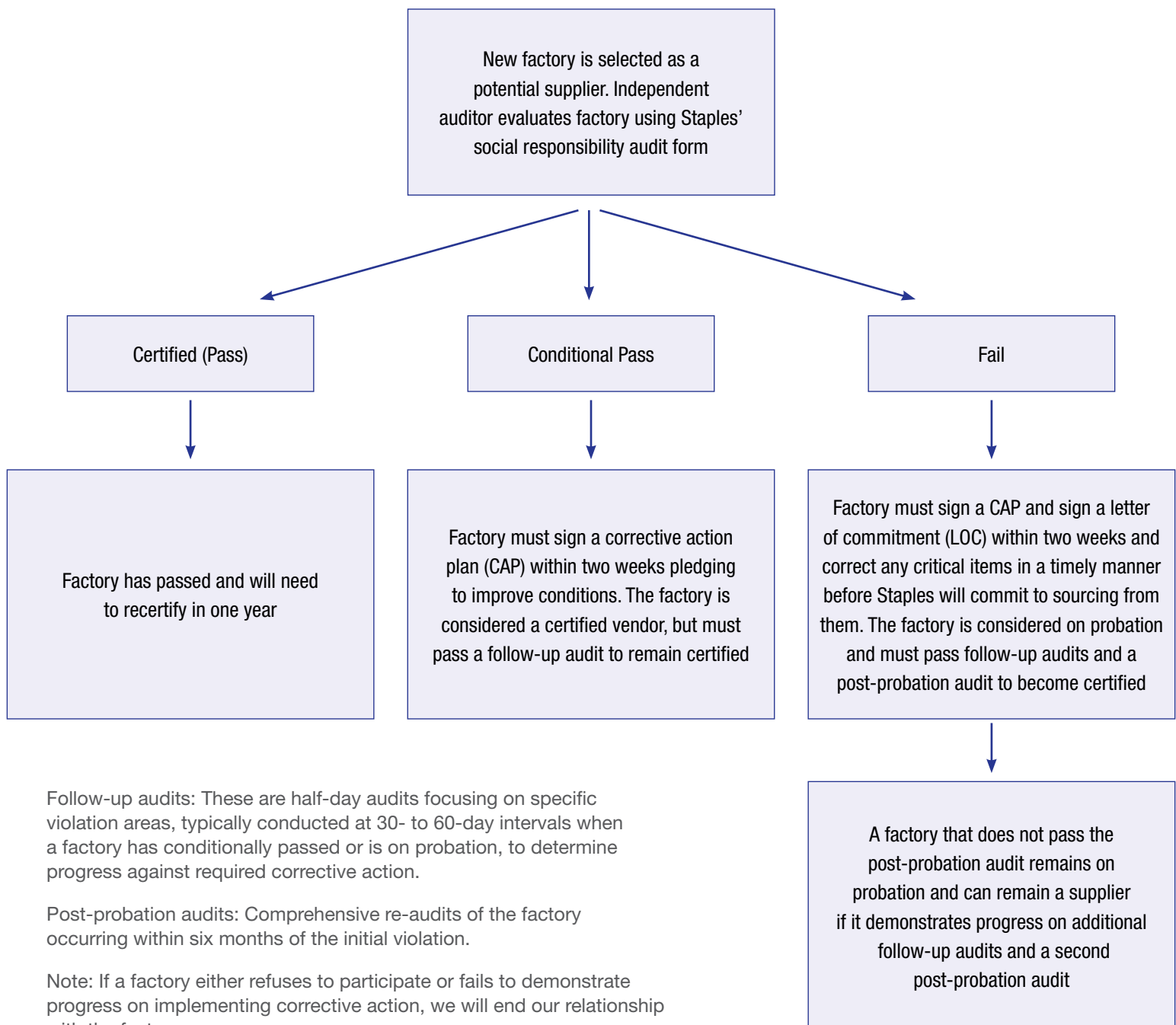
Evolution of Staples' supplier responsibility program

2000	Staples started conducting social accountability (SA) audits of a sampling of factories producing Staples® brand products.
2002	Staples began requiring SA audits for the majority of factories outside the U.S. that supply us with Staples® brand products.
2004	In 2004, we established our Supplier Code of Conduct after consulting accepted international frameworks for human rights, Social Accountability International's SA 8000 standard, and other corporate codes of conduct. That same year, Business for Social Responsibility (BSR) evaluated our supplier responsibility program and recommended improvements to our policies and procedures.
2005	Based on the feedback from BSR and information gathered from a benchmark of practices in the retail industry, we made additional improvements to the language in our Supplier Code of Conduct. Staples then developed a new SA audit program based on the SA 8000 standard and hired a new independent auditing firm to conduct these SA audits. This new SA audit program was launched in December 2005 in Southeast Asia and India, where the majority of our factories are based.
2006	Early in 2006, the SA audit program was expanded beyond Southeast Asia and India to include factories producing Staples® brand products globally. Factories now undergo a universal SA audit, along with an independent quality audit. Factories outside the U.S. also must pass a security audit.
2007 and beyond	In the years to come, Staples will work to develop improved internal measurement and evaluation tools to better measure ethics program performance and to help drive improvements.

factory monitoring and compliance

By the end of calendar year 2006, more than 340 factories in 17 countries supplied Staples with own-brand products. We also regularly commission new supplier partners to provide Staples® brand products. When doing so, we prescreen supplier factories to ensure that our requirements for cost, quality and capacity can be met. Once we select a potential supplier factory as a source, we schedule factory audits to ensure that the factory meets our requirements for quality, social accountability and security. We conduct short-notice, unannounced and scheduled audits of factories to help prevent factory management from hiding compliance failures.

The Social Accountability (SA) Audit and Corrective Action Process



In 2006, Staples expanded the SA audit program to cover all factories globally. Previously, Staples carried out an independent SA audit process for factories in Southeast Asia and India and used a shortened SA audit for factories in all other locations. As of 2006, all factories now undergo the same audit process.

All auditors performing Staples SA audits have been trained under the SA 8000 standard, one of the leading Social Accountability audit standards currently available. All factories must be recertified to meet our SA audit standards annually.

The new SA audit covers eight key areas, as outlined in the accompanying table, and includes more than 100 indicators, with designations of critical, major or minor. Examples of critical violations include evidence of child or forced labor, corporal punishment, discrimination, illegal environmental emissions, unsafe electrical installations or emergency exits, and restricting freedom of association. Major items include a variety of wage indicators and all working-hour indicators, as well as a variety of health and safety indicators.

Results from our auditing program are presented in the accompanying tables. As revealed in the tables, the implementation of our more stringent SA audits has resulted in many more factories requiring corrective action to obtain certification to Staples' standards and more factories requiring continued corrective action to address issues found during post-probation audits. We anticipate that once factories adjust to our new standards and obtain certification, we will see fewer factories requiring corrective action during the recertification process.

Overall, we continue to see the most critical and major violations as a percentage of factories audited in China, Vietnam, Indonesia, Thailand and Taiwan. The majority of violations tend to be in the following areas:

- Sufficient records and procedures to ensure working hours do not exceed required standards
- Ensuring compliance with appropriate wage and benefits laws, record-keeping and/or industry standards
- Overall facility health and safety, including proper safety equipment and procedures and meeting international standards for well-maintained facilities

Through continued auditing and corrective action requirements, we persist in helping to improve conditions in those factories supplying us with Staples® brand products. At the same time, industry cooperation and government enforcement are needed to ensure that adhering to accepted international standards for factory working conditions becomes the industry norm in developing countries.

categories covered in Staples' Social Accountability audits

1. Minimum age
2. Working hours
3. Wages and benefits
4. Health and safety, including:
 - First aid and medical services
 - Facilities
 - Food preparation and services
 - Fire safety and emergency evacuation
 - Environmental protection
 - Dormitories and housing
5. Freedom of association
6. Discrimination
7. Disciplinary practices
8. Forced labor

Due to the implementation of our new SA audit program and the development of a new system for collecting audit information for much of 2006, we were not able to report specific figures on critical and major violations by audit category in 2006. In future reporting cycles, we plan to report on critical and major violations by audit category.

Factory Social Accountability audit data (calendar year)*

Indicators	2006	2005	2004
Number of initial, recertification and post-probation audits conducted	335	241	184
Number of factories audited for compliance with Staples' Supplier Code	303	223	172
Percentage of factories completing initial audits required to take corrective action to address violations of Staples' Supplier Code	44%	33%	32%
Percentage of factories completing post-probation audits required to take corrective action to address violations of Staples' Supplier Code	38%	27%	13%
Percentage of factories completing recertification audits required to take corrective action to address violations of Staples' Supplier Code	n/a^	24%	19%

* Number of factories audited reflects factories undergoing initial, recertification and/or post-probation audits, and is less than the number of audits conducted because factories that fail initial or recertification audits undergo post-probation audits within six months and therefore can have multiple audits per calendar year. For 2005, factory audit data is only through the end of November.

^ Due to the new SA audit program rollout in late 2005, a very limited number of recertification audits (conducted annually after a supplier is certified) have been conducted to date, so information has not been reported for this specific category.

2006 Social Accountability factory audit data by country*

Country	Factories audited	Factories with one or more critical violations (%)
Canada	13	0%
China	200	56%
India	3	0%
Indonesia	3	100%
Korea	2	0%
Malaysia	1	0%
Singapore	1	0%
Taiwan	29	45%
Thailand	2	100%
U.S.	47	0%
Vietnam	2	50%
Total	303	43%

* All percentages in the table reflect the percentage of audited factories in violation across any initial, recertification or post-probation audits.



- **product responsibility:**
tested. inspected. guaranteed.

We develop Staples® brand products to meet high standards for quality and safety. Beyond our quality auditing and certification program for factories, we have three other programs for products sourced through the Staples® Brand Group designed to ensure high product quality and safety: our product testing program, our preshipment and ongoing inspection program, and our continuous quality-monitoring program. We also have an established product recall process for Staples® brand products and direct import products to ensure we can quickly recall any products that pose a health or safety concern.



- **Testing** — all Staples® brand products are tested by independent third-party labs to ensure they are safe and will meet consumer expectations of quality. Our testing protocol involves measuring the leading national brand's performance across a variety of indicators and establishing this performance as the standard that Staples® brand products must meet or exceed. Staples® brand products that fail to meet the protocol standards must be improved and pass retesting before they can be approved for production. Beyond these requirements, we also test several other safety indicators. For example, we test own-brand items to ensure that the lead and cadmium content of all surface coatings and the cadmium content of all plastics meet national and/or international standards.
- **Inspection**— Staples® brand products go through a vigorous inspection process designed to identify and eliminate production problems prior to shipment. The process begins with a preproduction inspection performed by a member of the local Staples® Brand Group Quality Assurance team or a third-party firm. During the inspection, product specifications and raw materials are reviewed along with work instructions and packaging. A production inspection is performed during the first day of production, which entails a process audit and a detailed product inspection. Then in-process inspections are performed during the initial production runs. Finally, periodic ongoing random final inspections are performed by independent third-party inspectors. The frequency of these inspections is determined based on risk indicators (returns, defects and customer feedback).
- **Quality monitoring** — as part of our continuous quality-monitoring program, we have an independent lab retest Staples® brand products once or more annually. For example, ink and toner cartridges, paper, furniture and electrical products are tested at least twice a year to determine whether the product meets the same performance levels that it met when it was initially qualified for production. All samples are purchased at Staples® stores or through our delivery business. We work with our supplier factories to correct any deviations we discover on a case-by-case basis. If evidence of significant deviation from the initial quality standard is discovered, we may discontinue production of that product at that factory.
- **Product recalls** — Staples has a formal product recall policy that applies to Staples® brand and direct import products. This policy helps ensure that we rapidly and effectively remove from our sales channels any products that pose a safety concern to consumers, whether based on information received by Staples or in cooperation with the Consumer Products Safety Commission.

Even though we make painstaking efforts to ensure our customers are 100 percent satisfied with Staples® brand products, we then go a step further — providing customers with a guarantee that if they try a Staples® product and are not happy, we'll take it back, no questions asked.